



TAMPA BAY BANKRUPTCY CENTER, P.A.

PHONE: (813) 200-4133

TOLL FREE: (800) 965-5074

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## Avoiding Bankruptcy When Starting an Online Business

The lure of starting an online business can be tremendously appealing – working from home, spend time with the family, no crawling through rush time traffic, no dealing with mean bosses or unreasonable clients. But if you are intending to start on an online business (or are already in one), you should remember that a business carries inherent risks and online businesses are no different. The worst of the risks surely is bankruptcy.

You might come across many sales pitches goading you to buy into an internet “business-in-a-box” or enroll for a coaching program that promises to help you make quick bucks in a short space of time. Often these sales pitches promise so much more than they actually deliver, so you should be careful. One characteristic of internet business scams is they do not give enough details on the actual product but load up their sales pitches with high pressure selling designed to feed on your greed and get you to part with your money.

When confronted with any internet business opportunity (or any other biz opp, for that matter), you should ask yourself some searching questions like, “How does the business (or website) actually make you money”, “In what way does the business (or website) meet the needs of the customers”, “What are the specific expenses you will incur in running the business (or website)?” etc.

Realize that an online-based business succeeds like any other business does – with a solid game plan, hard work and good business ethics. You cannot afford to be unsure of key information about the business so make sure you have all the facts before taking the plunge.

Internet business scams also tend to apply high-pressure selling tactics, often saying you need to buy now as there are limited copies of the product or limited places available in the program. Just think to yourself – can a digital product ever be “limited” in number or would a seller sell only limited places in a digitally conducted program that has no physical or logistical constraints? So don’t buy in to their scarcity tactics. If a program is genuinely good, it will always be good so you can take at least a few days to carefully consider whether you should take up the business offer.

Many internet-based business offers or products come with a Money Back Guarantee. This often means nothing more than an empty promise. Even if you do get your money back, it might require you to jump through lots of hoops and crawl through lots of holes before you get back a single cent.

Make sure you do some due diligence before embarking on any online business (or any type of business, for that matter). Here are some practical things to do:

1. Do a search online for the name of the product or program, the name(s) of the vendors or the company and add the word “scam” or “complaints”. For example, “ABC Company scam”. You can find out if any past complaints exist by contacting the state attorney general, local consumer protection agency and Better Business Bureau, both where the business opportunity promoter is based and where you live. This gives you an early indication of fraud. But remember that no record does not mean there is no complaint because unscrupulous vendors may change names and locations to hide a history of complaints.

2. Carefully vet through all disclosure documents. Under the Business Opportunity Rule enforced by the FTC, business opportunity vendors are required to provide a document to potential customer that includes information about the opportunity.
3. Do not use essential money to go into business. Make sure your finances are sufficient so that even if you fail in your business venture, you still have enough money for essentials for you and your family.
4. Consult your attorney or accountant for advice before taking the plunge.
5. Often business opportunities come with social proof in the form of testimonials of previous customers. If you can get in touch with any of these existing customers personally, interview them about the opportunity.

If you come across any fraudulent online (or offline) business opportunity, report it to the FTC at [www.ftc.gov](http://www.ftc.gov) or call toll free 1-877-FTC-HELP (1-877-382-4357). If you wish to consult an attorney about any business opportunity or discuss bankruptcy matters, call us at (813) 200 4133 for a free consultation.